

COMPACT

for workers' compensation professionals

February 2005

Minnesota Department of Labor and Industry

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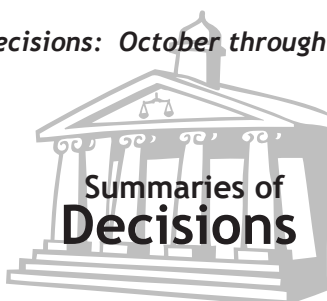
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Changing worker demographics lead to changing injury characteristics



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Workers' comp system cost increases during past three years

By David Berry, Ph.D.
Research and Statistics

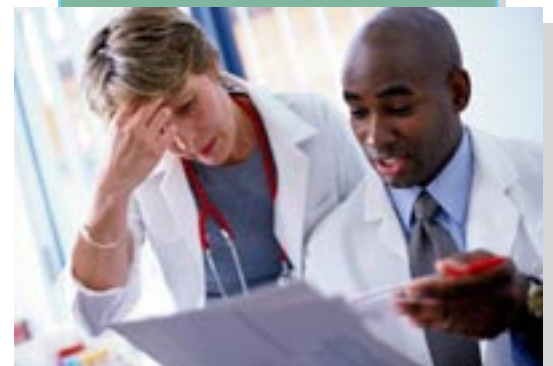
After a period of stability in the late 1990s, trends in the Minnesota workers' compensation system have begun to change:

- The claim rate, which had been falling gradually, showed a more pronounced decline from 2000 to 2003.
- Indemnity and medical benefits per claim are up sharply (adjusting for wage growth). Because of the falling claim rate, benefits have increased more gently as a percentage of payroll.
- The increase in indemnity benefits per claim is due partly to increasing benefit duration and partly to increased stipulated benefit amounts.
- Participation in vocational rehabilitation, which had been increasing since 1997, showed a heightened rate of increase from 2000 to 2003.
- The dispute rate increased sharply from 1997 to 2003.
- Total workers' compensation system cost rose substantially relative to payroll from 2000 to 2003, after several years of decline.

These and other findings are presented in the Department of Labor and Industry's (DLI) recently released [*Minnesota Workers' Compensation System Report, 2003*](#).¹ The report provides a fuller discussion of the findings than is presented here. A more detailed look at recent trends follows.

Claims and costs

- Claim rates declined every year from 1997 to 2003, with more rapid decline in the last three years of that period. The overall paid-claim rate for 2003 was down 28 percent from 1997.² (See Figure 1, next page.)
- The total cost of Minnesota's workers' compensation system continued increasing relative to payroll from its low-point in **System cost**, continues ...



System cost, continued ...

2000. From 2000 to 2003, cost rose from \$1.34 per \$100 of payroll to \$1.74, a 30-percent increase.³ (See Figure 2)

- Adjusted for average wage growth, average indemnity benefits per insured claim rose 44 percent from 1997 to 2002; average medical benefits per claim rose 52 percent. (See Figure 3, next page.)
- Relative to payroll, indemnity benefits rose 2 percent from 1997 to 2003; medical benefits rose 23 percent. Benefits rose less rapidly relative to payroll than per claim because of the falling claim rate. In 2003, indemnity and medical benefits amounted to \$.48 and \$.61 per \$100 of payroll, respectively.
- The average duration of total disability benefits (temporary total and permanent total) increased from 8.9 weeks in 1997 to 12.0 weeks in 2003, a 35-percent increase.

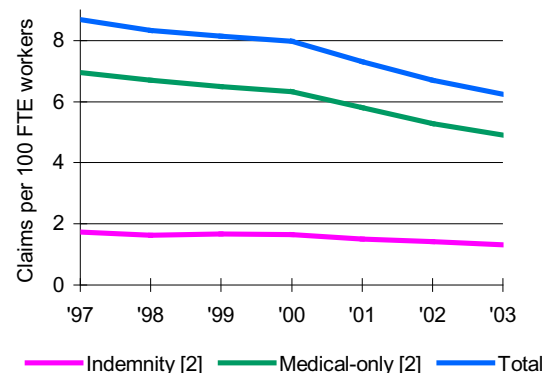
Medical cost detail

According to data from a large insurer, after adjusting for average wage growth and for changes in age, gender and type of injury:

- From injury year 1997 to 2003, medical cost per claim grew fastest for drugs (102 percent), outpatient hospital facility services (75 percent) and radiology (44 percent).
- Of the total increase in medical cost per claim from 1997 to 2003, outpatient hospital facility services accounted for 28 percent; drugs, 17 percent; and radiology, 15 percent.⁴ (See Figure 4, page 5.)
- Within the radiology and surgery and anesthesia service groups, a majority of the cost increase resulted from a shift toward more expensive types of procedures.

Figure 1

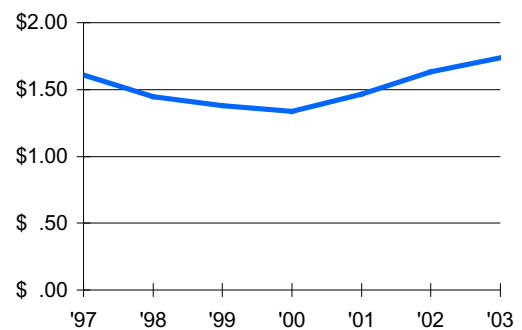
Paid claims per 100 full-time-equivalent workers, injury years 1997-2003 [1]



1. Developed statistics from DLI data and other sources (see note 2 in text).
2. Indemnity claims are claims with indemnity benefits — benefits that compensate the injured worker or survivors for wage loss, permanent functional impairment, or death from the injury. The remainder of claims — "medical-only" claims — have only medical benefits.

Figure 2

System cost per \$100 of payroll, 1997-2003 [1]



	Cost per \$100 of payroll
1997	\$1.61
2000	1.34
2001	1.47
2002 [2]	1.63
2003 [2]	1.74

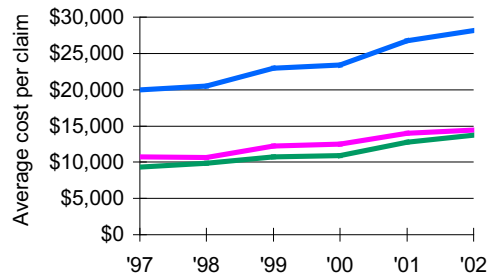
1. Data from several sources. Includes insured and self-insured employers.
2. Preliminary.

System cost, continued ...

Figure 3

Average indemnity and medical benefits per insured claim, adjusted for wage growth, policy years 1997-2002 [1]

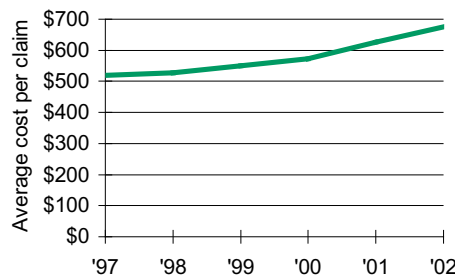
A: Indemnity claims



Policy year	Indemnity benefits	Medical benefits	Total benefits
1997	\$10,700	\$9,300	\$20,000
2000	12,500	10,900	23,400
2001	14,000	12,700	26,800
2002 (p)	14,500	13,700	28,200

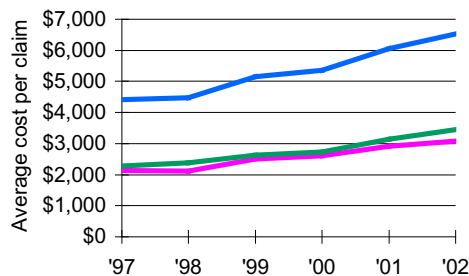
Indemnity Medical Total

B: Medical-only claims



Policy year	Medical benefits	Total benefits
1997	\$519	\$519
2000	574	574
2001	625	625
2002 (p)	676	676

C: All claims



Policy year	Indemnity benefits	Medical benefits	Total benefits
1997	\$2,140	\$2,270	\$4,410
2000	2,610	2,740	5,350
2001	2,920	3,140	6,060
2002 (p)	3,080	3,450	6,530

Indemnity Medical Total

1. Developed statistics from MWCIA data (see note 2 in text). Includes the voluntary market and Assigned Risk Plan; excludes self-insured employers. Benefits are adjusted for average wage growth between the respective year and 2003. 2002 is the most recent year available.

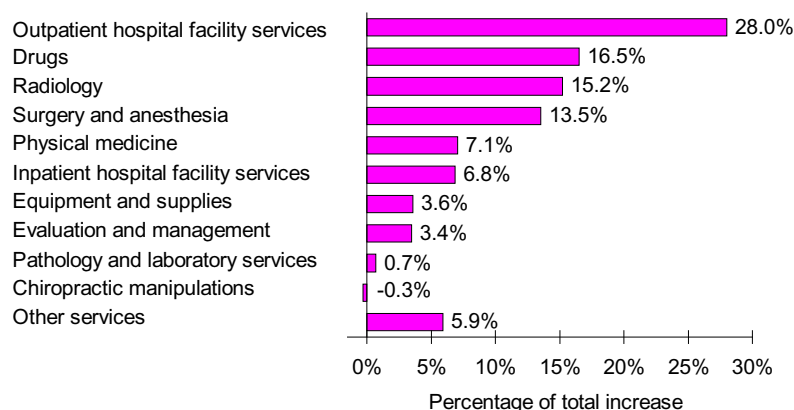
p = preliminary

Vocational rehabilitation

- Participation in vocational rehabilitation (VR) rose from 15 percent of paid indemnity claimants in 1997 to 23 percent for 2003. (See Figure 5, next page.)
- The total cost of VR services for 2003, \$39 million, was about 2.7 percent of total workers' compensation system cost.
- Adjusted for average wage growth, the average cost of VR services was about the same in 2003 as in 1998. The average cost per VR plan for 2003 was \$6,200.
- In 2003, about 66 percent of VR participants had a job at the time of plan closure, down from 74 percent for 1998.

System cost, continues ...

Figure 4
Contributions of service groups to overall change
in total medical cost per claim
between injury years 1997 and 2003 [1]

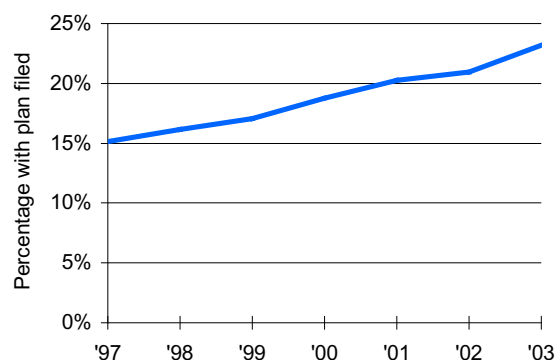


1. Developed statistics (see note 2 in text) computed from data from a large insurer with fixed weights for gender, age and type of injury. Costs are adjusted for average wage growth between 1997 and 2003.

Disputes and dispute resolution

- The overall dispute rate increased from 15.0 percent of filed indemnity claims in 1997 to 18.0 percent in 2003, a 20-percent increase.⁵ (See Figure 6, next page.)
- The rate of denial of filed indemnity claims remained between 14.4 and 16.6 percent from 1997 to 2003. The denial rate fell from 1997 to 2000 and rose from 2000 to 2003.
- The percentage of paid indemnity claims with claimant attorney fees rose from 13.8 percent in 1998 to 16.5 percent in 2003, a 20 percent increase. This parallels the increase in the dispute rate.
- From 1997 to 2003, claimant legal costs rose 5 percent relative to total benefits (indemnity, medical, and vocational rehabilitation) while defense legal costs rose 16 percent. In 2003, total claimant and defense legal costs were about \$106 million, roughly 12 percent of total benefits and 7 percent of total workers' compensation system cost.

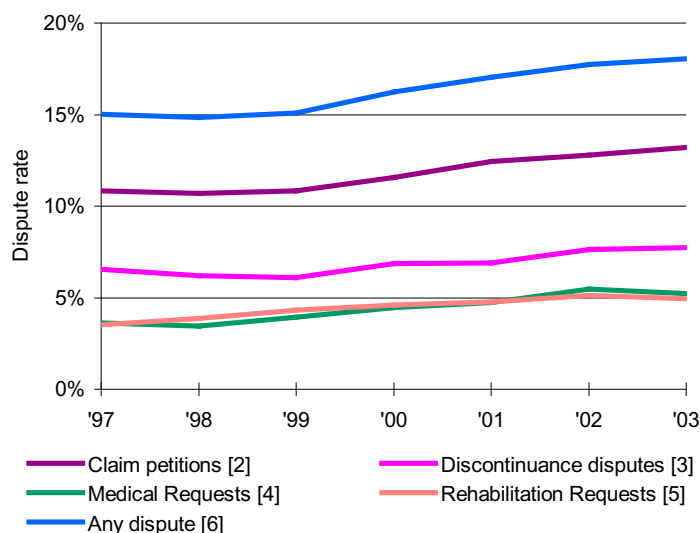
Figure 5
Percentage of paid indemnity claims with a
VR plan filed, injury years 1997-2003 [1]



Injury year	Percentage with plan
1997	15.1%
2000	18.8
2001	20.3
2002	21.0
2003	23.2

1. Data from DLI. Statistics are developed (see note 2 in text).

Figure 6
Incidence of disputes, injury years 1997-2003 [1]



Injury year	Dispute rate				
	Claim petitions [2]	Discontinuance disputes [3]	Medical Requests [4]	Rehabilitation Requests [5]	Any dispute [6]
1997	10.8%	6.5%	3.6%	3.5%	15.0%
1999	10.8	6.1	3.9	4.3	15.1
2000	11.6	6.9	4.4	4.6	16.2
2001	12.4	6.9	4.7	4.8	17.0
2002	12.8	7.6	5.5	5.1	17.7
2003	13.2	7.8	5.2	4.9	18.0

1. Developed statistics from DLI data (see note 2 in text).
2. Percentage of filed indemnity claims with claim petitions. (Filed indemnity claims are claims for indemnity benefits, whether ultimately paid or not.)
3. Percentage of paid wage-loss claims with discontinuance disputes.
4. Percentage of paid indemnity claims with *Medical Requests*.
5. Percentage of paid indemnity claims with *Rehabilitation Requests*.
6. Percentage of filed indemnity claims with any disputes.

¹ DLI Research and Statistics, January 2005. The report is available online at www.doli.state.mn.us/pdf/wcfact03.pdf or by calling (651) 284-5025. Information in the report is available in alternative formats by calling 1-800-342-5354 or TTY at (651) 297-4198.

² Several statistics in this article are presented by year of injury. Some statistics (those in Figure 3) are by policy year, meaning claims and costs are tied to the year in which the insurance policy covering the injury took effect. An issue with such data is that the actual numbers for more recent years are not mature, because of long claims and reporting lags. All injury year and policy year data in this article is “developed,” or projected, to a uniform maturity, so the statistics are comparable over time. The technique uses “development factors” based on observed data for older claims.

³ The system cost numbers for years just prior to 2003 are revised from earlier publications. One reason is that reporting entities sometimes revise previously reported data. Another reason is that some components of the cost figure are initially projected because of lags in data availability, but are then updated when actual data becomes available.

⁴ Since outpatient hospital facility services had a larger total cost than drugs to begin with, a smaller percent increase produced a larger absolute increase and, thus, a larger share of the total medical cost increase.

⁵ A “percent increase” means the proportionate increase in the initial percentage, not the number of percentage points of increase. For example, an increase from 10 percent to 15 percent is a 50-percent increase.



Negotiating the brick wall

Strategies for negotiating and resolving workers' compensation claims

The purpose of this seminar, *Negotiating the brick wall*, is to explore best practices regarding the use of problem-solving negotiations in managing and resolving workers' compensation claims.

Anyone who uses conflict resolution or negotiation skills to perform their job duties should attend this seminar.

- Health care providers
- Judges
- Employer safety, health or human resources representatives
- Risk managers
- Claims representatives
- Attorneys
- Vocational rehabilitation providers
- Alternative dispute-resolution providers
- Union representatives

Anyone who stands to lose or gain from a workers' compensation claim is invited to attend to learn more about how to achieve a "win-win" result in Minnesota's workers' compensation system.

Participants will learn about current alternatives to litigation available in Minnesota's workers' compensation system, ADR practices in other states and ways cross-cultural differences may alter the course of a claim or its dispute resolution. You will receive facts and figures to help you decide when ADR may be the appropriate option to resolve insurance-claims-related issues. And, you will earn continuing education credits while you learn from some of ADR's current trendsetters.

To register or for the complete agenda, visit www.doli.state.mn.us/workcomp.html or call Chris Beaubien at (651) 284-5478 or 1-800-DIAL-DLI (1-800-342-5354).

The Department of Labor and Industry is applying for 6.5 CLE credits from Minnesota and Wisconsin, 6.5 continuing education in ADR credits and 6.5 CRC/CDMS CEUs. If you need special accommodations to enable you to participate in this seminar, please contact the Department of Labor and Industry at (651) 284-5229 or (651) 297-4198 (TTY).



April 29, 2005

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Changing worker demographics lead to changing injury characteristics

By Brian Zaidman
Research and Statistics

One of the major issues facing workers' compensation policy-makers and professionals is the effect of the aging work force on the workers' compensation system. Labor force projections for Minnesota show that from 2000 to 2010, the number of workers age 25 to 44 will decrease by 0.4 percent, while the number of workers age 45 to 64 will increase by 39.2 percent.¹

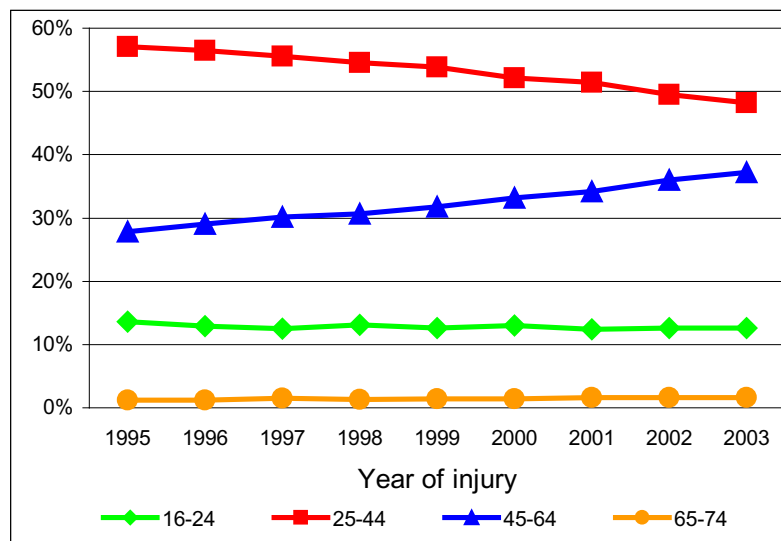
Will the aging of the work force lead to an increasing or decreasing number of injuries? Will the types of injuries change? Will the duration and costs of claims increase? Will return-to-work programs need to be modified? These are difficult questions, requiring much analysis and a thorough understanding of the work patterns and injuries of different age groups.

This article provides some basic information for addressing these issues and describes some of the effects of the aging work force on Minnesota's workers' compensation system. The changing age distribution of workers receiving indemnity benefits is examined and job and injury characteristics are presented, and comparisons are made for injured workers in the 25- to 44-year-old and 45- to 64-year-old age groups. All statistics were derived from the Department of Labor and Industry's workers' compensation claims database.

Age distribution

The average age of injured workers with indemnity claims has increased from 38.5 years in 1995 to 41.0 years in 2003. As shown in Figure 1, since 1995 there is a decreasing percentage of injured workers in the 25- to 44-year age group and an increasing percentage of injured workers in the 45- to 64-year age group. The percentage of injured workers in the 25- to 44-year age group decreased from 57 percent in 1995 to 48 percent in 2003. In contrast, the percentage of injured workers in the 45- to 64-year age group increased from 28 percent in 1995 to 37 percent in 2003.

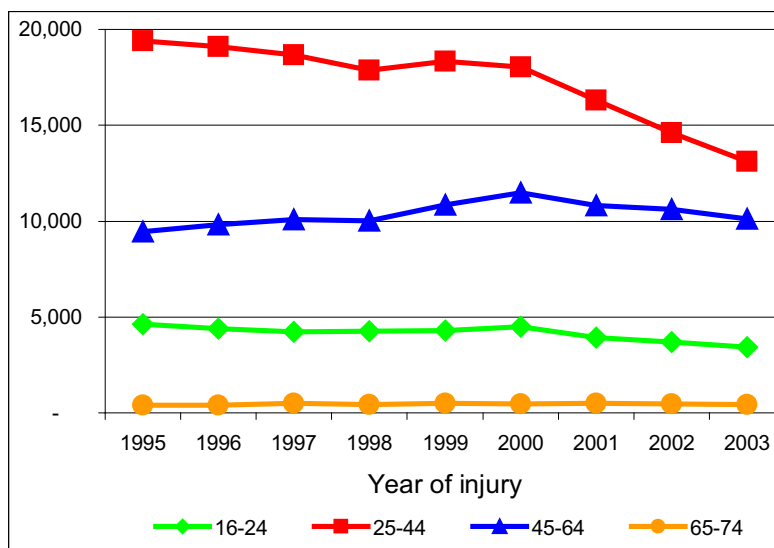
Figure 1: Percentage distribution of injured workers by age group



Demographics, continues ...

Because the overall number of claims and the rate of claims among all employed workers is declining,² a slightly different pattern emerges when the number of injured workers³ in each age group is examined. Figure 2 shows that from 1995 to 2003, the number of injured workers in the 25- to 44-year age group decreased by 32 percent, from 19,400 to 13,100, while the number of injured workers in the 45- to 64-year age group increased by 7 percent, from 9,500 to 10,100. However, since 2000, the number of injured workers in the 45- to 64-year age group has decreased by 12 percent.

Figure 2: Numeric distribution of injured workers by age group



Job characteristics

The types of injuries and illnesses and the events that cause them depend, in large part, on the industries and occupations of the workers. Examination of the industries and occupations of Minnesota's injured workers with indemnity claims in 2003 shows only a few age-related job differences (see Figure 3).

**Figure 3: Industry and occupation by age group
2003 indemnity claims**

	16-24	25-44	45-64	65-74
Industry sector				
Construction	18.9%	14.9%	9.9%	5.5%
Manufacturing	10.7	18.0	18.3	11.5
Trade, transportation and utilities	22.7	25.8	25.6	36.7
Professional and business services	11.7	8.6	7.5	6.0
Educational and health services	17.1	16.9	22.3	21.4
All other industries	18.9	15.9	16.4	19.0
Occupation				
Managerial and professional	6.4%	10.0%	12.9%	9.3%
Service	28.1	18.5	18.5	23.5
Sales and office	8.6	8.5	11.1	19.0
Natural resources, construction and maintenance	25.7	25.6	21.7	15.6
Production and transportation	31.3	37.4	35.8	32.5

By industry, workers in the 45- to 64-year age group had a lower percentage in construction and a higher percentage in educational and health services than did workers in the 25- to 44-year age group. There were no differences among other industries, including manufacturing. By occupation, the most noticeable differences were a lower percentage of injured workers in the 45- to 64-year age group in natural resources, construction and maintenance occupations, and a higher percentage in managerial and professional occupations, compared to injured workers in the 25- to 44-year age group.

Injury characteristics

Injuries and illnesses are categorized according to four dimensions: the nature of the injury or illness; the part of the body affected; the event or exposure leading to the injury; and the source of the injury.

Figure 4 shows the injury characteristics by age group. For indemnity claims that occurred in 2003, injured workers in the 45- to 64-year age group, compared to workers in the 25- to 44-year age group, had:

- lower percentages of cuts and sprains, and higher percentages of fractures and diseases;
- a lower percentage of back injuries and higher percentages of injuries and illnesses including the trunk and body system and to multiple body parts;
- a lower percentage of injuries from contact with objects, such as equipment and parts, and a higher percentage of falls to surfaces.

**Figure 4: Selected injury characteristics by age group
2003 indemnity claims**

	16-24	25-44	45-64	65-74
Nature of injury or illness				
cuts	12.9%	6.5%	4.4%	5.7%
fractures	7.5	5.8	7.6	15.0
sprains and strains	37.7	44.5	40.5	28.8
multiple injuries	3.5	3.3	3.8	6.0
diseases	5.2	7.3	9.7	6.7
Part of body affected				
trunk and body system	9.4%	12.2%	16.8%	20.2%
upper extremities	27.2	22.9	22.4	21.0
lower extremities	22.3	19.5	20.1	21.8
back and spine	28.4	30.5	23.4	14.0
multiple parts	7.3	9.2	11.5	15.5
Event or exposure				
contact with objects	27.2%	17.6%	13.3%	16.6%
falls	14.5	13.9	19.7	35.5
bodily reaction	42.0	53.2	53.3	34.5
Source of injury or illness				
containers	11.7%	12.1%	11.1%	10.6%
machinery	7.5	5.6	5.7	5.2
parts and materials	10.9	9.7	7.2	4.1
injured worker	13.2	20.5	23.7	15.0
structures and surfaces	16.7	15.9	20.8	37.0
tools and equipment	8.3	6.8	5.4	3.9



Figures 3 and 4 show that many of these age group differences are even more pronounced for workers in the 65- to 74-year age group.

Overall, workers age 45 and older have more injuries caused by falls, leading to fractures and multiple body part injuries. However, in absolute terms, these differences are not large and ergonomic-related injuries, such as sprains and strains to the back and upper extremities, will remain the most common injury types for the foreseeable future.

A more complete analysis of the relationship between age and injury would examine differences in job characteristics, differences in the incidence of workplace accidents and differences in the reporting of injuries. If the proper data were available, a study such as this would provide better information about workplace safety.

¹ Minnesota State Demographic Center, Population, Household and Labor Force Projections Web site.

² See *Workers' comp system cost increases during past three years* in this edition of COMPACT, page 2.

³ The worker numbers are developed, meaning they are estimates of the number of workers expected to be in each age range when all the data about indemnity claims for an injury year is available.



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At the Minnesota Department of Labor and Industry we strive to provide a positive experience for everyone we interact with. We know we have some outstanding employees and want to learn how our assistance has helped you.

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Workers' Compensation Division
www.doli.state.mn.us/workcomp.html

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- Waiting period
- Liability determination
- Indemnity benefits
- Rehabilitation benefits and issues
- Medical benefits and issues
- Penalties
- Dispute resolution
- How to file forms



Location: Minnesota Department of Labor and Industry
443 Lafayette Road N.
St. Paul, MN 55155
Minnesota Room

Cost: \$175 for the two-day session (includes lunch)

Early registration is encouraged. Each session is limited to 30 people. Classes will be filled on a first-come, first-served basis. If your reservation is not one of the first 30 received, you will be contacted about other available sessions.

If you need special accommodations to enable you to participate in this event or have questions about this training, call Jana Williams at (651) 284-5304, toll-free at 1-800-342-5354 or TTY (651) 297-4198. The Department of Labor and Industry reserves the right to cancel a session if there are not enough participants registered.

Registration form

Please register me for the Basic Adjusters' Training session checked below. Enclosed is my check made payable to: *Minnesota Department of Labor and Industry*.

☐ March 23 and 24, 2005

☐ June 16 and 17, 2005

☐ Nov. 2 and 3, 2005

Name and phone: _____

E-mail address: _____

Company name and address: _____

Number of months of experience with Minnesota workers' compensation: _____

To register more than one person from your company for this class, attach a sheet listing additional names, telephone numbers and number of months of experience. Send form and check to: **Attn: Chris Beaubien, Minnesota Department of Labor and Industry, 443 Lafayette Road N., St. Paul, MN 55155.**

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